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Executive Board of the United Nations Development Programme and of the United Nations Population Fund

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Recommendations of the Board of Auditors

United Nations Population Fund

Follow-up to the report of the United Nations Board of Auditors for 2004-2005: status of implementation of recommendations

Report of the Executive Director

I. Introduction

1. Pursuant to decision 97/2 of the Executive Board, the Executive Director wishes to bring to the attention of the Board a progress report on the implementation of the recommendations of the United Nations Board of Auditors for UNFPA, for the biennium that ended 31 December 2005 (A/61/5/Add.7). In document A/61/350, the Advisory Committee on Administrative and Budgetary Questions reviewed the report of the Board of Auditors and the corresponding report of the Secretary-General (A/61/214/Add.1).

2. This report provides an update of further actions taken by UNFPA to implement the recommendations of the United Nations Board of Auditors, as contained in document A/61/5/Add.7. UNFPA also addressed audit issues in its report on internal audit and oversight activities in 2006 (DP/FPA/2007/14), and in the management response to that report, submitted to the annual session 2007 of the Executive Board.

3. In accordance with Executive Board decision 2005/8, this report also indicates the priority accorded to each recommendation. The report is organized as follows:

(I) Introduction;

(II) Status of implementation of the audit recommendations;

(III) Conclusion;

(IV) Recommendation.

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4. The paragraph numbers cited in the present document correspond to those contained in the report of the United Nations Board of Auditors (A/61/5/Add.7).

II. Status of implementation of the audit recommendations

5. The Executive Director is pleased to report that UNFPA has implemented, or is in the process of implementing, all 42 recommendations of the United Nations Board of Auditors.

6. In line with the report of the Secretary-General to the sixty-first session of the General Assembly on the implementation of the recommendations of the Board of Auditors on the financial statements of United Nations funds and programmes for the financial period that ended 31 December 2005 (A/61/214/Add.1), the table below provides a summary of the implementation of the recommendations by area of responsibility. It also indicates the priority given to each of the recommendations.

Implementation status of recommendations by area of responsibility

Division/country office	*Number of recommendations*	*Not implemented*	*Fully implemented*	*Under implementation*	*Priority*		
					High	*Medium*	*Low*
Division for Management Services	19		15	4	5	11	3
Division for Oversight Services	6		5	1	3		3
Division for Human Resources	8		7	1	3	4	1
Strategic Planning Office	3		3			3	
Information, Executive Board, and Resource Mobilization Division	1			1	1		
All divisions/ country offices	5		3	2	1	4	
Total	**42**		**33**	**9**	**13**	**22**	**7**

7. UNFPA is pleased to report that the number of recommendations that it implemented fully increased from 9 in the previous report (DP/FPA/2007/1) to 33 (of a total of 42) in this report. UNFPA is on track in implementing the nine remaining recommendations. UNFPA expects that it will implement them fully by the target completion dates contained in the audit recommendation table available

on the UNFPA Executive Board web page (http://www.unfpa.org/exbrd/2008/2008_first.htm).

8. To strengthen its analysis, UNFPA grouped the recommendations by the risk categories defined in paragraph 30 of document DP/FPA/2006/4. The breakdown of the recommendations made by the Board of Auditors between the risk categories used by UNFPA is as follows: external risk; people risk; process risk; relationship risk; and technology and systems risk. The paragraphs that follow summarize the actions taken by UNFPA to address the recommendations in each risk category.

A. External risk

9. This group includes recommendations relating to services provided by external parties and deals with risk factors for which UNFPA has little leverage. There are three recommendations under this group: two recommendations are of high priority (paragraphs 27 and 29) and one is of low priority (paragraph 120). UNFPA has implemented two high-priority recommendations and has initiated implementation of the third recommendation (paragraph 120).

10. Discussions with United Nations partners are ongoing, and UNFPA is developing an environmental management strategy (paragraph 120).

B. People risk

11. This group includes recommendations relating to personnel succession planning, the contractual arrangements of temporary personnel, staff performance appraisal, training, leave administration and the reporting of fraud.

12. There are 10 recommendations in this group: 2 recommendations are of high priority (paragraphs 156 and 188); 6 recommendations are of medium priority (paragraphs 164, 169, 174, 177, 190 and 203); and 2 recommendations are of low priority (paragraphs 183 and 192). UNFPA has implemented one high-priority recommendation (paragraph 188), six medium-priority recommendations (paragraphs 164, 169, 174, 177, 190 and 203) and one low-priority recommendation (paragraph 183). This represents 80 per cent of the recommendations in this group. Implementation of the other recommendations is under way.

13. Regarding the liability provision for annual leave not taken by staff, UNFPA will address this recommendation by 1 January 2010 with the implementation of the international public sector accounting standards (paragraph 192).

14. UNFPA will complete the development of its succession-planning framework by mid-2008, and has taken the first steps in formulating the framework (for example, identifying best practices in other United Nations agencies and international organizations; establishing rosters; and including aspects of succession planning, such as data on vacancies and anticipated staff retirement, in the rotation exercise) (paragraph 156).

C. Process risk

15. This group includes recommendations related to the funding of posts, procurement activities and assets, staff benefits, reporting, audit charter and coverage, and monitoring the implementation of audit recommendations.

16. There are 18 recommendations in this group: 5 recommendations are of high priority (paragraphs 89, 105, 132, 142 and 144), 12 recommendations are of medium priority (paragraphs 32, 90, 94, 100, 103, 110, 118, 126, 128, 150, 198 and 201) and 1 recommendation is of low priority (paragraph 113). UNFPA has implemented 3 high-priority recommendations (paragraphs 89, 105 and 142), 10 medium-priority recommendations (paragraphs 32, 90, 94, 100, 103, 110, 126, 128, 198 and 201) and 1 low-priority recommendation (paragraph 113). This represents 78 per cent of the recommendations. The implementation of the other recommendations is under way.

17. UNFPA plans to increase the capacity of the Division for Oversight Services in the 2008-2009 biennial support budget by adding one auditor, in order to meet the requirements for reviewing financial data (paragraph 144).

18. With regard to procurement plans, the UNFPA Procurement Services Section requested country offices to submit their annual procurement plans to the Procurement Services Section; however, the number of plans received was not satisfactory. For 2008, the Procurement Services Section will provide country offices with the 2007 procurement data as a baseline and request country offices to indicate their revisions and expectations for 2008 (paragraph 118).

19. With regard to reporting to donors, UNFPA has made progress with the help of Atlas. UNFPA expects further improvements, such as the implementation of an on-line report generation and tracking system for donor reports (paragraph 132).

20. The geographical divisions have worked extensively with country offices to ensure that appropriate action is taken with regard to the audit recommendations. UNFPA is recording and updating these actions in a comprehensive audit and recommendation database system. The Division for Oversight Services follows up on the monitoring of recommendations by the geographical divisions. In addition, the UNFPA Management Committee regularly reviews the status of implementation of the recommendations (paragraph 150).

D. Relationship risk

21. This group includes recommendations relating to interactions between UNFPA and its implementing partners and related processes, as well as the costing methodology for services provided for UNFPA.

22. There are nine recommendations in this group: two recommendations are of high priority (paragraphs 59 and 74); four recommendations are of medium priority (paragraphs 46, 51, 68 and 135); and three recommendations are of low priority (paragraphs 62, 79 and 81). Except for two recommendations (paragraphs 59 and 68), UNFPA has implemented all the recommendations.

23. Work is under way, especially on issues such as materiality, synchronization of financial reports and differing fiscal years. The Division for Management Services is liaising with the Division for Oversight Services to define an appropriate

mechanism to disclose the impact of modified project audits in financial statements (paragraph 59).

24. UNFPA will issue revised policies and procedures for project management before the end of 2007. On 1 December 2006, the Division for Oversight Services issued revised terms of reference to improve consistency in the scope of project audits and reports (paragraph 68).

E. Technology and systems risk

25. This group includes recommendations relating to information systems management. There are two recommendations in this group (paragraphs 40 and 108); both are of high priority. UNFPA has implemented both recommendations.

III. Conclusion

26. As part of its efforts to improve governance and accountability, UNFPA ensures that all recommendations made by the United Nations Board of Auditors are implemented systematically as part of its systems and processes. UNFPA conducts regular follow-up with responsible units, which provide updates on progress made. The Management Committee regularly reviews progress on the audit recommendations. UNFPA is also strengthening risk management and its overall assurance process. UNFPA has implemented, or is in the process of implementing, all 42 recommendations made by the Board of Auditors for 2004-2005, and has completed action on 33 recommendations. UNFPA expects to implement all recommendations by January 2010.

IV. Recommendation

27. **The Executive Board may wish to take note of the present report (DP/FPA/2008/3) and the further actions planned in implementing the recommendations of the United Nations Board of Auditors for the biennium 2004-2005.**